

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Residence System Fund Transfer
Date: March 6, 2000

Recommended Action:

Approve the transfer of \$2,832,368 from the Residence System (Dormitory) Surplus Fund to the Residence System Improvement Fund.

Executive Summary:

The covenants of the University of Iowa Residence System (Dormitory) Revenue Bonds allow for the transfer of net revenues of the residence system from the Surplus Fund to the Improvement Fund upon approval of the Board of Regents. Monies must first be transferred to the Improvement Fund before they can be expended for improvements to residential and dining facilities.

The University of Iowa requests the transfer of \$2,832,368 from the Residence System (Dormitory) Surplus Fund to the Improvement Fund. The funds will be utilized for improvements to residential and dining facilities.

Background:

In 1963, the Board of Regents authorized the sale of 16,500,000 of Residence System (Dormitory) Revenue Bonds for the purpose of acquiring, improving, and equipping student residence halls and dormitories on the campus of the University of Iowa.

Since that time, the Board has authorized the sale of various issues of Residence System (Dormitory) Revenue Bonds, which are parity bonds, subject to the conditions and restrictions as set forth in the original bond issuance of 1963.

As of June 30, 1999, the remaining principal outstanding on these bonds was \$22,275,000.

The bond resolution stipulates that revenues be set aside from the net rents, profits, and income derived from the residence facilities to the:

- Sinking Fund sufficient for the principal and interest payment that will become due and payable on and prior to the next succeeding July 1;
- Reserve Fund after making the required payments into the Sinking Fund;

- Improvement Fund after making the required payments into the Sinking Fund and Reserve Fund; and
- Surplus Fund for all remaining monies not accounted for in other funds.

The total amount of the Reserve Fund is not to exceed the maximum amount of principal and interest (debt service payment) due in any fiscal year; the excess may be transferred to the Improvement Fund or used to purchase or redeem bonds.

The Improvement Fund is used to pay extraordinary costs of maintaining facilities in an efficient operating condition and to pay the cost of purchasing or constructing buildings for use as residence halls and dining facilities.

Although the bond covenants require a minimum annual transfer of \$600,000 to the Improvement Fund from annual operating revenues, the Board of Regents may approve transfers to the Improvement Fund in excess of this amount.

Sums which are not required to be deposited into any of the other designated funds may, at the discretion of the Board, be used to pay any university overhead expenses attributable to the operation of the system, be transferred to any of the other special funds, or be used for any other lawful purpose connected with the system as the Board may direct.

The University requests approval to transfer \$2,832,368 million from the Residence System (Dormitory) Surplus Fund to the Improvement Fund.

Transferring funds from undesignated (surplus) voluntary reserves to voluntary reserves earmarked for improvements does not affect the total voluntary reserves.

Similar transfers have been made annually in past years; last year the Board approved a transfer of \$3,668,000 from the Surplus Fund to the Improvement Fund.

As of June 30, 1999, the Surplus (\$5.4 million) and Improvement funds (\$6.7 million) had a combined cash balance of \$12.1 million.

Subject to approval of the university's request, the estimated balance of the Surplus Fund at June 30, 2000, would be \$5.9 million.

Pamela M. Elliott

Approved: _____
Frank J. Stork